

21 May 2007



HEDGE ETS

New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited

(A closed-ended investment company incorporated in Guernsey with registered number 45501 under the provisions of The Companies (Guernsey) Law 1994 to 1996 and the Protected Cell Companies Ordinance 1997 to 1998, as amended)

NEW STAR OFFERS ACCESS TO STRONG PERFORMING HEDGE FUND INDEX

- **Third tranche of Hedge ETS on offer**
- **Offers exposure to a highly diversified portfolio of hedge funds selected through a rules based selection process**

New Star Asset Management (“New Star”) is pleased to announce it is making a third offering of Hedge ETS, a London listed daily tradable security. The Hedge ETS provides investors exposure to the RBC Hedge 250 Index® (the "Index") which has closely tracked returns on hedge funds and outperformed other recognised investable hedge fund indices. Since its inception on 1 July 2005 to 30 March 2007, the Index achieved an annualised return of 11.3%¹ outperforming other recognised investable hedge fund and fund of hedge fund indices on both an absolute and risk adjusted basis. (see table below).

The hedge fund industry provides access to the skills of some of the best investment talent in the world who are attracted by the freedom of investment permitted in managing a hedge fund and the strong incentivisation to perform. Hedge ETS compliments other methods of obtaining exposure to hedge funds. Compared to most of fund of hedge funds the Index provides highly diversified exposure to hedge funds with minimal selection bias and consistency of returns. Compared to hedge fund replication strategies, which seek to mimic future hedge fund returns through the allocation to a limited number of factors based on historical data, the Index is more able to keep pace with rapidly changing opportunities in global markets through allocation to 250 actively managed hedge funds, with different strategies and styles.

Ravi Anand, director at New Star Asset Management, said

“Hedge ETS offers unique access to the performance of the hedge fund universe through a well constructed representative index, with the added benefit of daily liquidity⁵. Indices may seem an atheamea to hedge fund investing however, as interest in hedge funds grows there is increasing demand for diversified exposure to the asset class.

This third offering is in response to strong demand from investors. We expect interest from institutional investors and wealth managers seeking to benefit from the portfolio diversification benefits provided by hedge fund returns.”

New Star’s two previous offerings attracted investors from 20 different countries, in particular Spain, Switzerland, the UK and various offshore jurisdictions, raising in excess of \$250m.

The Index is designed to be a representative, investable benchmark of the performance of the hedge fund asset class. The Index has the following key features:

- Extensive diversification across over 250 hedge funds and nine distinct strategies;
- Asset-weighted by strategy, approximately equally-weighted initially by hedge fund;
- Rules-based construction methodology designed to emphasise inclusiveness and minimise selection bias;
- Inclusive selection criteria which results in hedge funds which may have lock-ups, redemption gates, low liquidity and which are presently closed to investment;
- Total assets under management of the hedge funds in the Index were US\$230 billion (30 April 2007, source: RBC Capital Markets).

Performance of the Index

Since its inception on 1 July 2005 to 30 March 2007, the Index has outperformed other recognised investable hedge fund and fund of hedge fund indices.

| | Annualised return | Sharpe ratio³ |
|---|--------------------------|---------------------------------|
| RBC Hedge 250 Index ^{®1} | 11.3% | 1.9 |
| InvestHedge Global Multi Strategy ² | 10.6% | 1.8 |
| CISDM Fund of Funds Index ² | 10.0% | 1.6 |
| HFRX Investable Hedge Fund Index ² | 8.9% | 1.2 |
| CS/Tremont Investable Hedge Fund Index ² | 8.8% | 1.7 |
| MSCI Investable Hedge Fund Index ² | 7.9% | 1.2 |

¹ Returns are net of monthly Index fee of 1/12 of 0.95% of the beginning of month Index level. US\$ returns from 1 July 2005 to 30 March 2007, data sourced on 30 April 2007. Source: Index returns – RBC Capital Markets. Calculations – Mellon Analytical Services.

² Sources: InvestHedge Global Multi Strategy – www.hedgefundintelligence.com; CISDM fund of funds index – <http://cisdm.som.umass.edu/>; HFRI Fund Weighted Composite Index, MSCI Hedge Fund Index and Credit Suisse/Tremont Hedge Fund Index - Bloomberg. US\$ returns, data from 1 July 2005 to 30 March 2007 sourced on 30 April 2007 and 9 May 2007 for InvestHedge. Calculations – Mellon Analytical Services.

³ Sharpe ratio assumes a risk free rate equal to CG T-Bill 30 days. Source: Mellon Analytical Services.

Hedge ETS

Hedge ETS is a unique security offering daily liquidity, the ability to redeem shares close to net asset value and in 1X (unlevered) shares and 3X exposed shares. At 18 May 2007 the mid-market price of the US dollar 1X and 3X shares were 8 per cent. and 13 per cent. above their issue price respectively.

Hedge ETS obtains exposure to the Index through swap contracts with Royal Bank of Canada and is subject to a management fee.

New shares are being issued under a global placing (outside the US) and a public offer in the UK. UBS Investment Bank is acting as sponsor to Hedge ETS. Royal Bank of Canada Investment Management (UK) Ltd and UBS Investment Bank are acting as placing agents.

Two types of shares are being offered; 1X shares which offer unleveraged exposure to the performance of the Index and 3X shares which target three times exposure to the performance of the Index. Under the placing, both are available in Euro, Sterling and US Dollars, with a minimum investment per placee of EUR€50,000, GB£40,000 and US\$75,000 respectively.

In order to assist in the management of any discount to net asset value, up to 14.99% of the shares in issue may be purchased in the market. In addition, each shareholder will have the opportunity to redeem up to 100% of their shares at close to net asset value on the first business day of January or July in each year, subject to providing at least 120 days' prior notice and the Hedge ETS directors exercising their discretion to offer redemptions.

Expected timetable

| | |
|-----------------------------|--------------------------|
| Prospectus published | on or around 24 May 2007 |
| Placing closes | 21 June 2007 |
| New shares commence trading | 28 June 2007 |

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Notes to Editors:

1. New Star Asset Management is an asset management group, listed on the London Stock Exchange's Alternative Investment Market with US\$45.0 billion of assets under management (at 30 March 2007), including approximately US\$2.1 billion in hedge funds (at 30 April 2007). New Star manages Hedge ETS and undertakes regular due diligence on the Index. New Star receives an investment management fee of 0.85% per annum of the net asset value of the 1X shares and 1% per annum of the net asset value of the 3X shares.
2. There are approximately 9,000 hedge funds globally with approximately US\$1 trillion of assets (source: Hedge Fund Association). The average non-investable hedge fund index references approximately 1,600 hedge funds whereas the average investable hedge fund index references approximately 90 hedge funds (Source: see notes 2 and 3 above).
3. The composition of the RBC Hedge 250 Index at 30 April 2006 was:

| Strategy | Weight | No. of funds |
|-----------------------------|---------------|---------------------|
| Equity Long/Short | 37.7% | 93 |
| Multi-Strategy | 15.0% | 37 |
| Credit | 12.0% | 31 |
| Merger & Special Situations | 10.7% | 27 |
| Macro | 9.1% | 23 |
| Managed Futures | 5.9% | 15 |
| Fixed Income Arbitrage | 4.9% | 14 |
| Convertible Arbitrage | 2.3% | 9 |
| Equity Market Neutral | 2.5% | 7 |
| Total | 100.0% | 256 |

Further information on the Index can be found at www.rbchedge250.com

4. Hedge ETS is the brand name for shares issued by the 1X and 3X cells of New Star RBC Hedge 250 Index Exchange Traded Securities PCC Limited, a Guernsey based Investment Company which enters into swaps with Royal Bank of Canada to provide exposure to the Index.
5. Investors should be aware that a liquid secondary market in the shares cannot be guaranteed.

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